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France remains an attractive venue for money laundering because of its sizable economy, political stability, and sophisticated financial system. Common methods of laundering money in France include the use of bank deposits, foreign currency and gold bullion transactions, corporate transactions, and purchases of real estate, hotels, and works of art. A 2002 Parliamentary Report states that, increasingly, Russian and Italian organized crime networks are using the French Riviera to launder assets (or invest those previously laundered) by buying up real estate, "a welcoming ground for foreign capital of criminal origin." The report estimates that between seven billion and 60 billion euros of dirty money have already been channeled through the Riviera.

The Government of France (GOF) first criminalized money laundering related to narcotics trafficking in 1987 (Article L-267 of the Public Health Code). In 1988, the Customs Code was amended to incorporate financial dealings with money launderers as a crime. In 1990, the obligation for financial institutions to combat money laundering came into effect with the adoption of the Monetary and Financial Code (MFC) and France's ratification of the 1988 UN Drug Convention. In 1996 the criminalization of money laundering was expanded to cover the proceeds of all crimes. In January 2004, the French Supreme Court judged that joint prosecution of individuals was possible on both money laundering charges and the underlying predicate offense. Prior to this judgment, the money-laundering charge that the predicate offense were considered the same offense and could only be prosecuted as one offense.

The amendment to the law in 1996 also obligates insurance brokers to report suspicious transactions. In 1988, the obligated parties were increased to include nonfinancial professions (persons who carry out, verify or give advice on transactions involving the purchase, sale, conveyance or rental of real property). In 2001, the list of professions subject to suspicious transaction reporting requirements expanded to include legal representatives, casino managers and persons customarily dealing in or organizing the sale of precious stones, precious metals, antiques or works of art. The law now covers banks, moneychangers, public financial institutions, estate agents, insurance companies, investment firms, mutual insurers, casinos, notaries, and auctioneers and dealers in high-value goods. In 2004, the list was expanded again to included lawyers, chartered accountants, statutory auditors, notaries, bailiffs, judicial trustees and liquidators; judicial auctioneers and movable auction houses; groups, clubs and c
ompanies organizing games-of-chance lotteries, bets, sports, and horse-racing forecasts; intermediaries entitled to handle securities; and institutions or unions of pension management.
As a member of the European Union (EU), France is subject to EU money-laundering directives, including the revised Directive 91/308/EEC on the prevention of the use of the financial system for the purpose of money laundering (Directive 2001/97/EC), that was enacted into domestic French legislation in 2004. The GOF has enacted legislation that codifies that Financial Action Task Force (FATF) Forty Recommendations concerning customer identification, record-keeping requirements, suspicious transaction reporting, internal anti-money laundering procedures, and training for financial institutions.

The Banking Commission supervises financial institutions and conducts regular audits of credit institutions and the Insurance and Provident Institutions Supervision Commission reviews insurance brokers. The Financial Market Authority evolved from the merger of the Securities Exchange Commission and the Financial Markets Council to monitor the reporting compliance of the stock exchange and other non-bank financial institutions.

Decree No. 2002-770 of May 3, 2002, addresses the functioning of France's Liaison Committee against the Laundering of the Proceeds of Crime. This committee is co-chaired by the French financial intelligence unit (FIU), the Unit for

Treatment of Intelligence and Action Against Clandestine Financial Circuits (TRACFIN), and the Justice Ministry. It comprises representatives from reporting professions and institutions, regulators, and law enforcement authorities, with the purpose to supply professions required to support suspicious transactions with better information and to make proposals in order to improve the anti-money-laundering system.

TRACFIN is responsible for analyzing suspicious transaction reports (STRs) that are filed by French financial institutions and non-financial professions. TRACFIN is a part of FINATER, a group created within the French Ministry of Economy, Finance, and Industry in September 2001 in order to gather information to fight terrorist financing. The French FIU may exchange information with foreign counterparts that observe similar rules regarding reciprocity and confidentiality of information. TRACFIN works closely with

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the Ministry of Interior's Central Office for Major Financial Crimes (OCRGDF), which is the main point of contact for Interpol and Europol in France.

TRACFIN received 3,598 suspicious transaction reports (STRs) in 2001, 6,896 STRs in 2002, and 9,007 STRs in 2003. The changeover from the French franc to the euro in 2002 generated many additional reports, which accounts for the significant increase over 2001. In addition approximately 200 separate reports on transactions were sent to TRACFIN relating to possible terrorist-financing activity. Approximately 83 percent of STRs are sent from the banking sector. A total of 291 cases were referred to the judicial authorities in 2002, resulting in 14 criminal prosecutions; and 308 cases were referred in 2003, which resulted in 55 preliminary investigations and 21 judicial procedures.

There are two other subsidiary types of reports that are required to be filed with the FIU. A report must be filed (no threshold limit) when the identity of the principal or beneficiary remains doubtful despite due diligence. In addition, a report must be filed with TRACFIN in cases where transactions are carried out by a financial entity acting in the form of or on behalf of a trust fund or any other asset management instrument, on behalf of a third party (natural or legal), including their subsidiaries or establishments, when legal or beneficial owners are not known. The reporting obligation can also be extended by decree to transactions carried out by financial entities, on their own behalf or on behalf of third parties, with natural or legal persons, including their subisidiaries or establishments, that are domiciled, registered or established in any country or territory included on the FATF list of Non-Cooperative Countries or Territories. Currently, a reporting decree exists for Nauru and Burma.

Since 1986, French antiterrorist legislation has provided for the prosecution of those involved in the financing of terrorism under the more severe offense of complicity in the act of terrorism. However, in order to strengthen this provision, the Act of November 15, 2001 introduced several new characterizations of offenses, specifically including the financing of terrorism. The offense of financing terrorist activities (art. 41-2-2 of the Penal Code) is defined according to the UN International Convention for the Suppression of the Financing of Terrorism and is subject to ten years' imprisonment and a fine of 228,600 euros. The Act also includes money laundering as an offense in connection with terrorist activity (art. 421-1-6 of the Penal Code), punishable by ten years' imprisonment and a fine of 62,000 euros.

An additional penalty of confiscation of the total assets of the terrorist offender has also been implemented. Accounts and financial assets can be frozen through both administrative and judicial measures. The Perben II law, which took effect in January 2004, enhanced French authorities' capacity to arrest and extradite suspects and cooperate with other judicial authorities in the EU. In March 2004, the GOF passed a law that extends the scope of STR to terrorist financing.

French authorities moved rapidly to freeze financial assets of organizations associated with al-Qaida and the Taliban, and took the initiative to put the two groups on the UN 1267 Sanctions Committee consolidated list. France takes actions against non-Taliban and non-al-Qaida-related groups in the context of the EU-wide "clearinghouse" procedure. Within the Group of Eight, France has sought to support and expand efforts targeting terrorist financing. Bilaterally, France has worked to improve the capabilities of its African partners in targeting terrorist financing. On the operational level, French law enforcement cooperation targeting terrorist financing operations continues to be good.

TRACFIN is a member of the Egmont Group and is the Egmont

Committee Chair of the newly created Operational Working Group. TRACFIN has information-sharing agreements with 27 FIUs in the United States, Australia, Italy, Belgium, Monaco, Spain, the United Kingdom, Mexico, the Czech Republic, Portugal, Finland, Luxembourg, Cyprus, Brazil, Colombia, Greece, Guernsey, Panama, Argentina, Andorra, Switzerland, Russia, Lebanon, Ukraine, Guatemala, Korea, and Canada. France is a member of the FATF and a Cooperation and Supporting Nation to the Caribbean Financial Action Task Force, as well as a Supporting Observer to the Financial Action Task Force of South America Against Money Laundering. France is a party to the 1988 UN Drug Convention; the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of Proceeds from Crime; and the UN International Convention for the Suppression of the Financing of Terrorism. In October 2002, France ratified the UN Convention against Transnational Organized Crime. The United States and France have entered into a Mutual Legal Assistance Treaty (MLAT), which came into force in 2001. Through MLAT requests and by other means, the French have provided large amounts of data to the United States in connection with terrorist financing. France has established a comprehensive anti-money-laundering regime. The GOF should also continue its active participation in international organizations to combat the domestic and global threats of money laundering and terrorist financing.

Wolff